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SUBJECT: AMBASSADOR DISCUSSES 6PT, AID, KIC WITH
UNIFICATION MINISTER

Classified By: Amb. Alexander Vershbow. Reasons 1.4 (b/d)

SUMMARY

¶1. (C) In a February 5 meeting with Unification Minister Lee Jae-joung, the Ambassador noted that if progress were made at the Six Party Talks (6PT), it would be important to coordinate international approaches to synchronize assistance with DPRK actions on denuclearization and to maintain our leverage for the more difficult stages. Minister Lee said that improved U.S.-DPRK and ROK-DPRK relations would be essential to get the DPRK to dismantle its nuclear programs. If the 6PT went well, Lee hoped to resume ROKG humanitarian aid after North-South dialogue improved. Asked about a possible inter-Korean summit, Lee insisted that there were no plans for one and that Seoul was concentrating on the 6PT. During a January visit to the Kaesong Industrial Complex (KIC), Lee answered his DPRK interlocutor's request for resumed ROKG assistance by emphasizing that the DPRK should not lose the opportunity to make progress at the 6PT. Lee pressed for KIC inclusion in U.S.-ROK FTA negotiations. The Ambassador countered that it was not realistic to include KIC goods in the FTA in the current environment. END SUMMARY.

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SIX PARTY TALKS

¶2. (C) The Ambassador on February 5 met with Unification Minister Lee Jae-joung ahead of the resumption of Six Party Talks (6PT) to emphasize the need for continued close U.S.-ROK coordination on next steps toward the DPRK. If we reach an understanding at the 6PT, it will be the result of USG-ROK consultations and international solidarity following the DPRK missile launches and nuclear test. This unity included difficult measures, such as the ROKG decision to suspend rice and fertilizer assistance to the DPRK. If the DPRK took initial steps to implement the September 2005 Joint Statement, it would remain essential to coordinate approaches to synchronize assistance with DPRK actions. As the ROKG considered next steps on humanitarian aid, close USG-ROK coordination would not only help ensure that the DPRK complied with its obligations, but also maintain leverage for the next and more difficult stages, when the DPRK will be expected to begin dismantlement, the Ambassador said.

13. (C) Minister Lee reaffirmed that Seoul shared the goal of getting Pyongyang to dismantle its nuclear programs and weapons. He opined that any final resolution to the DPRK nuclear issue could only occur after U.S.-DPRK diplomatic normalization. If the 6PT went well, inter-Korean dialogue should be resumed sooner rather than later. He envisioned this occurring in stages, first at the working levels and then at the ministerial level. After the DPRK missile launches and nuclear test, the ROKG suspended official bilateral assistance, including aid via the World Food Program and Red Cross channels. This suspension was worth about USD 360 million. If the 6PT went well, ROKG humanitarian aid could resume, but in a step-by-step fashion after North-South dialogue had resumed, Lee said.

14. (C) The Ambassador noted that the Minister's words about a step-by-step resumption of aid if the conditions were right would be well received by Washington. He asked if the ROKG would consider channeling more aid via the World Food Program. The WFP was short of food, and, although the DPRK does not like the WFP's monitoring, this would be a good way to improve transparency. Lee replied that the ROKG would review this after inter-Korean dialogue resumed.

AID TO THE DPRK

15. (C) Lee assessed that the DPRK had shown a more positive attitude in recent months. In January, the ROKG rescued, salvaged and returned a DPRK boat that had crossed into ROK territorial waters. While this was not new, the fact that the DPRK immediately thanked the ROK and expressed "deep appreciation" for ROK efforts was unusual. In addition, DPRK authorities had proposed working-level talks to consider

having a joint Olympic team for the Beijing Olympics. This, Lee said, was a sign of a more positive DPRK attitude. Hopefully, we would see similar things at the resumed 6PT.

16. (C) The Ambassador said that while it was encouraging to hear that the DPRK was behaving in a more conciliatory way toward the ROK, we needed to see if this was a real change or just tactical adjustments. The USG was also prepared to work step-by-step in fulfilling its commitments if the DPRK cooperated at the 6PT. U.S.-ROK cooperation would remain important not only to reach agreement at this round of 6PT, but also for the next stages in the 6PT discussions.

17. (C) Lee reiterated that we were all optimistic about the 6PT, but the U.S.-DPRK relationship would become even more important to build mutual trust. The United States and South Korea were democracies so their leaders listened to a range of opinions before making decisions. The DPRK, in contrast, was a simple system. Building trust between these different types of systems would not be easy. Lee lamented that, as Unification Minister, his responsibility was to improve cooperation with the DPRK, but without progress in the 6PT it would remain hard to build a consensus in the South on assistance to the North. In his view, pure humanitarian aid should not be driven by political calculations or restrained by political limitations.

18. (C) The Ambassador noted that the USG did not see food as a weapon and did not want to politicize humanitarian aid as a general rule. The DPRK was a special case, however, and had left the ROK with little recourse. The ROKG made the right choice, even if it was difficult to suspend its official food and fertilizer assistance. The USG agreed that it was desirable to move beyond the current negative environment and relationship with the DPRK. We needed to get the DPRK to a place where it could improve its dire domestic situation. Once the DPRK shut down the Yongbyon reactor and allowed IAEA inspections, it would be easier to support humanitarian or energy aid to the DPRK. However, we must convince the DPRK that whatever happens at the 6PT this week, it should not think that a freeze would eliminate international pressure; we must insist on rapid movement to the next stage of dismantlement.

INTER-KOREAN SUMMIT?

¶9. (C) Lee offered that to get the DPRK to dismantle its nuclear programs, the 6PT, U.S.-DPRK relations, and ROK-DPRK dialogue were all important. Inter-Korean dialogue operated under the premise of denuclearization, so North-South dialogue would support the goals of the 6PT. Asked about recent media reports on the possibilities of an inter-Korean summit in 2007, Lee insisted that there were no plans for one at this point. The ROKG was not making any preparations for a summit and was concentrating on the 6PT. Should the 6PT go well, then the ROKG would want to resume working-level inter-Korean dialogue. It was not an appropriate time, however, to talk about the possibility of a summit. Lee characterized recent media reports as press speculation that was to be expected ahead of the December 2007 presidential election in South Korea.

KAESONG INDUSTRIAL COMPLEX

¶10. (C) Minister Lee provided a readout of his January 24 visit to the Kaesong Industrial Complex (KIC). He said he received a warm welcome from Ju Dong-chan, Head of the Central Special Zone Development Management Agency of North Korea, who asked for resumed ROKG humanitarian assistance, the provision of light-industry materials, and ROKG incentives to investors in DPRK projects. Lee told his DPRK interlocutor that progress at the 6PT was an important condition and that the DPRK should not lose this opportunity to improve its situation.

¶11. (C) Lee said he returned from the KIC with three impressions: he was impressed to see North and South Korean laborers working together; he gained an appreciation for how

DPRK workers could learn business skills by working for ROK companies; and he saw how the KIC could contribute to peace. The area of Kaesong had been strategically important because it was in the middle of invasion routes to Seoul. Since the development of the KIC, however, DPRK soldiers were being replaced by DPRK workers. Twenty-one ROK companies were operating in the KIC, but, if the conditions were right, including progress in the 6PT, the KIC could handle 300 firms in the short run. Lee insisted that people should pay more attention to the benefits of the KIC and reconsider its inclusion in the U.S.-ROK Free Trade Agreement (FTA). Asked about wages in the KIC, Lee said his DPRK interlocutors confirmed that some workers were being paid in-kind rather than in cash by DPRK authorities. Lee added that the ROKG was also considering whether to pay the workers partially in rice because of the food scarcities in the DPRK.

¶12. (C) The Ambassador said that he shared the view that success in the 6PT would make it easier to make sustainable progress in inter-Korean relations. During a recent visit to the Demilitarized Zone with the U.S. Ambassadors to Japan and China, the Ambassadors met with the CEO of Hyundai Asan who confirmed that difficulties with the DPRK had dampened Korean companies' enthusiasm for projects with the DPRK. Hopefully this would change this year.

¶13. (C) The Ambassador reiterated, however, that it was not realistic to expect to allow KIC goods to be considered "made in the ROK" under the FTA. In the current circumstances, the KIC could not be included in ongoing FTA negotiations. Perhaps at some point in the future, the issue could be reexamined if the conditions had changed dramatically, such as the complete denuclearization of North Korea and normalization of U.S.-DPRK relations.

¶14. (C) Lee replied that he understood what the Ambassador was saying, but if one wanted to encourage more change in the DPRK, it might be more effective to include the KIC in a FTA. KIC investment and trade could encourage the DPRK to rely less on the force of its weapons. Trade could reduce

political problems with the DPRK. Like the Peace Park between the U.S. and Canada, the KIC could be a zone of peace. Moreover, if a U.S.-ROK FTA was intended to improve bilateral relations, then we should not put off KIC inclusion in the FTA until the future.

¶15. (C) The Ambassador countered that this was a classic example of putting the cart before the horse. There was potential for the KIC to promote economic change inside the DPRK, which the Ambassador had seen during his trip there. As for the KIC as a peace zone, if the DPRK were to reduce its military by 500,000 soldiers and send them as workers to the KIC, the DPRK could achieve much more.

¶16. (C) Lee concluded by saying that he did not want to argue. The important point was that there was a huge economic gap between North and South Korea. We needed to help the DPRK choose the right path. There were only a few options available to the DPRK, and we could encourage the DPRK to find proper ways to resolve its economic problems and to improve peace on the Peninsula.

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COMMENT

¶17. (C) Unification Minister Lee is among the most pro-engagement officials in Seoul. He is obviously frustrated that inter-Korean projects have essentially been suspended. He seems to take every opportunity to express his frustration. For now at least, he has been kept in check because Foreign Minister Song Min-soon and the Blue House are focused on DPRK denuclearization. Some of Lee's remarks to the press demonstrate his frustration. Following the February 5 meeting with the Ambassador, Lee's staff gave misleading readouts of the private discussion to reporters that suggested to some that the USG might consider KIC inclusion in ongoing U.S.-ROK FTA negotiations. The Embassy responded by expressing displeasure to MOU contacts and conveying a statement (see para 18) by phone to the involved editors. As far as we can see, MOU officials have worked to

contain the issue after we contacted them. END COMMENT.

¶18. (C) U.S. Embassy Statement Delivered by Phone to Selected Reporters:

We regret that the Ministry of Unification misrepresented what was said in a private meeting. There has been no change in the U.S. position on Kaesong goods in the context of the FTA. The Ambassador was speaking hypothetically about the possibility of reexamining this issue in the future, in the context of the denuclearization of the Korean Peninsula and the full implementation of the September 2005 Joint Statement. END STATEMENT.
VERSHBOW